

TAXATION

DATE 3-13-07

[illegible]

(n) lighting controls with cutoff switches to permit selective use of lights;
(o) programmable thermostats; and
(p) installation of new domestic hot-water, heating, or cooling systems, so long as the replacement or installation of the new system reduces the waste or dissipation of energy, or reduces the amount of energy required.

(2) If the new system described in (1)(p) differs in style or type from the previous system, such as, if one or more window air-conditioning units is replaced with a central air system, the new system must exceed the requirement in ARM 42.4.206(1)(c).

(3) If the replacement system exceeds the established standards, only the additional cost shall be considered when computing the credit.

(4) This is not to be considered an exhaustive list of qualifying capital investments. The department will consider other investments that substantially reduce the waste or dissipation of energy, or reduce the amount of energy required for the heating, cooling, or lighting of buildings. The department may consider the cost of the investment against the expected savings in determining whether the investment qualifies.

(5) Investments in an existing building or new construction for which no capital investment for energy conservation purposes is substantiated do not qualify for the energy conservation credit. For example, the investments do not qualify for the energy conservation credit when the taxpayer installs an insulated garage door in an existing building or during new construction and this building does not consume any energy other than electrical energy for lighting purposes.

(6) The department may request assistance from the department of environmental quality to determine if an investment made by a taxpayer qualifies as an energy conservation investment for the purpose of the energy conservation credit. (History: 15-32-105, MCA; IMP, 15-32-105, 15-32-109, MCA; NEW, 1977 MAR p. 972, Eff. 11/26/77; AMD, 1982 MAR p. 10, Eff. 1/15/82; AMD and TRANS, from ARM 42.15.432, 2002 MAR p. 3705, Eff. 12/27/02; TRANS, from ARM 42.4.131, 2004 MAR p. 1965, Eff. 8/20/04; AMD, 2006 MAR p. 357, Eff. 2/10/06.)

42.4.205 CALCULATION OF THE ENERGY CONSERVATION CREDIT

(1) Taxpayers are entitled to an energy conservation credit for energy conservation investments made to existing buildings and new construction. The energy conservation credit is available in the tax year that the taxpayer paid for and completed the installation of the energy conservation investments.

(2) For an existing building, an example of how the credit would be applied is:

(a) The taxpayer purchased and completed installation of an ENERGY STAR qualifying furnace in the taxpayer's home during October 2005, half of the total price of the furnace was paid for in 2005 and the other half in 2006. The energy conservation credit is available in tax year 2005 only and the taxpayer is not entitled to an additional energy conservation credit for the second half payment made in 2006.

(3) For new construction, the energy conservation credit is available in the tax year that the construction is completed. An example of how the credit would be applied is:

(a) The taxpayer began construction of a new home in 2004 and finished it in 2005. The taxpayer invested in energy conservation measures that exceeded the 2003 International Energy Conservation Code with Montana amendments. The energy conservation credit is available in tax year 2005 only and the taxpayer is not entitled to an energy conservation credit for tax year 2004 even though the construction began in 2004.

(4) For multi-unit buildings such as apartment complexes and condominiums, an energy conservation credit will be allowed for each unit when it can be demonstrated that the expense was attributed to a specific unit. Examples of these expenditures are:

(a) an ENERGY STAR qualifying furnace that only serves one unit of a multi-unit building would qualify as one expenditure and one credit;

(b) an ENERGY STAR qualifying furnace that serves all units of a multi-unit building is considered only one energy conservation investment and would qualify as one expenditure and one credit; or

(c) installation of an ENERGY STAR qualifying furnace in each unit of a multi-unit building would qualify as a separate expenditure and credit for each unit.

(5) The energy conservation credit is available to all owners of a building who invest in energy conservation expenditures. Examples of this application are:

(a) A husband and wife replace windows and exterior doors with qualifying investments in their existing home for a total cost of \$6,000. Each spouse is entitled to a maximum \$500 energy conservation credit. ($\$6,000 \times .25 = \$1,500$ with a maximum credit of \$500 per individual.)

(b) Four individuals who own a commercial building replace windows, exterior doors and the heating system with qualifying investments for a total cost of \$20,000. Each individual is entitled to a maximum \$500 energy conservation credit. ($\$20,000 \times .25 = \$5,000$ with a maximum credit of \$500 for each individual.) (History: 15-32-105, MCA; IMP, 15-32-105, 15-32-109, MCA; NEW, 2006 MAR p. 357, Eff. 2/10/06.)

42.4.206 NEW CONSTRUCTION STANDARDS (1) For new construction, the energy-conserving expenditure must exceed the following equipment standards:

(a) air-source heat pumps - specification (split systems - greater than or equal to 8.0 HSPF or single package system - greater than or equal to 7.6 HSPF) - reference (ENERGY STAR qualified);

(b) boilers - specification (rating of 85% AFUE or greater) - reference (ENERGY STAR qualified);

(c) central air conditioners - specification (split systems - greater than or equal to 13 SEER - single package system - greater than or equal to 12 SEER) - reference (ENERGY STAR qualified);

- (d) demand or instantaneous water heaters - specifications (gas-fired instantaneous - .82 or greater energy factor and electronic ignition) - reference (GAMA directory rating certified);
- (e) furnaces - specifications (rating of 90% AFUE or greater) - reference (ENERGY STAR qualified);
- (f) heat recovery ventilators - specifications (CSA C439-00 standard) - reference (HVI certified product);
- (g) indirect water heaters - specifications (high efficiency) - reference (minimum of two inches foam insulation);
- (h) light fixtures - specifications (electronic ballast and compact or linear fluorescent lamp) - reference (ENERGY STAR qualified);
- (i) skylights - specifications (skylights must have a U-factor of .60 or less and meet ENERGY STAR qualifications) - reference (National Fenestration Rating Council (NFRC) window label);
- (j) thermostats - specifications (programmable thermostat) - reference (ENERGY STAR qualified); and
- (k) windows and doors - specifications (windows and doors must have a U-factor of .35 or less and meet ENERGY STAR qualifications - reference (National Fenestration Rating Council (NFRC) window label).

(2) In order to qualify for energy conservation credits for new construction, the energy-conserving expenditure must exceed the following Montana prescriptive path requirements:

- (a) ceilings - R-49;
- (b) crawlspace walls - R-20;
- (c) exterior walls - R-21;
- (d) finished basement walls - R-11;
- (e) floors over unconditioned spaces - R-21;
- (f) heating/cooling equipment - federal minimum standards;
- (g) slab perimeter area four feet vertical or horizontal - R-13; and
- (h) windows U-factor - U-.35. (History: 15-32-105, MCA; IMP, 15-32-105, 15-32-109, MCA; NEW, 2006 MAR p. 357, Eff. 2/10/06.)

42.4.207 RECORD RETENTION REQUIREMENTS (1) In order to claim the energy conservation credit, the taxpayer is required to retain invoices, sales agreements or receipts that document the work done and the equipment installed. The records should clearly state the equipment manufacturer, make and model number of any installed item or product that will determine the qualifications for the energy conservation credit. (History: 15-32-105, MCA; IMP, 15-32-105, 15-32-109, MCA; NEW, 2006 MAR p. 357, Eff. 2/10/06.)

SENATE TAXATION SUBCOMMITTEE ON SB-210

Attendance:

Sen. Kelly Gebhardt, Chair
Sen. Christine Kaufmann
Sen. Jeff Essmann
Lee Heiman, Staff Attorney
David Hunter, Deputy Director, Montana Department of Revenue (DOR)
Jami Davis, Montana Department of Revenue (DOR)
Linda Gryczan,

The Senate Taxation Subcommittee on SB-210 met briefly following the Tuesday, March 13, 2007, Senate Taxation Committee meeting. Subcommittee members discussed the fiscal amounts contained in SB-210 and decided the following:

\$750 - \$1,500 on single family dwelling owned
750 - 1,500 on multifamily dwelling rental
750 - 1,500 on single family dwelling rental

Mr. Hunter, DOR, will provide additional figures regarding rental property.

Discussion was also held on carryforward. The decision was made to **not** have carryforward at this time.

Sen. Kelly Gebhardt, Chair

